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Philippines

Sugar

Sugar Semi-Annual

2005

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Report Highlights:

The Philippine Sugar Regulatory Administration announced that total raw sugar production in MY 2004/05 only reached 2.15 MMT, lower than the 2.18-2.20 MMT earlier projected, primarily due to the reduced raw sugar output due to labor problems that beset certain sugar mill districts. Domestic production in MY 2005/06 is forecast at 2.10 MMT, lower than the output achieved last year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Manila [RP1]
[RP]

The Philippine Sugar Regulatory Administration (SRA) announced that total raw sugar production in MY 2004/05 only reached 2.15 MMT, lower than the 2.18-2.20 MMT earlier projected primarily due to the reduced raw sugar output in several key sugar milling areas. Sugar cane production in MY 2004/05 also declined to 22.6 MMT. The drop in raw sugar output was mainly due to labor problems that beset certain sugar mill districts. Due to the joint efforts by industry stakeholders to manage supply, domestic production in MY 2005/06 is forecast at 2.10 MMT, even lower than the output achieved last year.

PSD Table						
Country	Philippines					
Commodity	Sugar, Centrifugal					
	Revised	2004	Estimate	2005	Forecast	2006
	Old	New	Old	New	Old	New
Market Year Begin		09/2003		09/2004		09/2005
Beginning Stocks	277	277	405	405	287	239
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2340	2340	2180	2150	2100	2100
TOTAL Sugar Production	2340	2340	2180	2150	2100	2100
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	2617	2617	2585	2555	2387	2339
Raw Exports	202	202	288	306	142	156
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	202	202	288	306	142	156
Human Dom. Consumption	2010	2010	2010	2010	2010	2010
Other Disappearance	0	0	0	0	0	0
Total Disappearance	2010	2010	2010	2010	2010	2010
Ending Stocks	405	405	287	239	235	173
TOTAL DISTRIBUTION	2617	2617	2585	2555	2387	2339

PSD Table						
Country	Philippines					
Commodity	Sugar Cane for Centrifugal					
	Revised	2004	Estimate	2005	Forecast	2006
	Old	New	Old	New	Old	New
Market Year Begin		09/2003		09/2004		09/2005
Area Planted	395	395	380	380	370	370
Area Harvested	390	390	375	375	365	365
Production	26100	26100	25000	22600	24000	22000
TOTAL SUPPLY	26100	26100	25000	22600	24000	22000
Utilization for Sugar	26100	26100	25000	22600	24000	22000
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	26100	26100	25000	22600	24000	22000

According to SRA, the increase in sugar prices observed in the last half of MY 2004/05 was due to adjustments in the domestic market. In the last two years, domestic sugar prices have been relatively low due to oversupply, and as a result, the sugar industry embarked on an export program to remove excess inventory. In MY 2004/05, about 164,000 MT was exported to Japan, Indonesia and South Korea, over and above the 142,000 MT exported to the United States under the country specific tariff-rate-quota allocation for the Philippines.

Moreover, according to SRA, the adjustment in market prices was necessary to keep the whole industry viable, particularly the sugarcane farmers who have to carry the burden of significant increase in the cost of inputs, specifically UREA fertilizer. UREA, which cost only P600/50-kg bag (\$10.71/bag) last year, is said to be close to P900/bag (\$16.07/bag) currently.

AVERAGE PRICES OF SUGAR IN THE PHILIPPINES (Metro Manila)						
CROP	WHOLESALE PRICE			RETAIL PRICE		
YEAR	(Pesos Per 50 Kg Bag)			(Pesos Per Kg)		
	Raw	Washed	Refined	Raw	Washed	Refined
2002-2003	929.13	1,102.17	1,202.09	23.05	25.83	27.35
2003-2004	839.87	1,068.57	1,171.63	22.75	25.59	27.12
2004-2005: (As of August 31, 2005)						
September	832.00	1,055.00	1,153.65	22.44	25.37	26.84
October	846.49	1,055.00	1,156.47	22.43	25.37	26.82
November	814.79	1,028.75	1,168.92	22.49	25.42	26.90
December	802.00	940.00	1,182.33	22.66	25.56	27.12
January	810.43	975.42	1,197.93	22.24	25.04	26.95
February	856.00	962.19	1,228.03	22.37	25.28	26.88
March	894.58	979.97	1,296.19	22.55	25.21	27.16
April	913.72	985.73	1,314.47	23.05	25.41	29.19
May	967.57	1,046.67	1,324.26	23.48	25.56	29.34
June	996.67	1,089.96	1,355.42	23.19	25.37	29.24
July	1,030.42	1,126.88	1,387.62	23.89	25.77	30.19
August	1,000.86	1,083.75	1,343.57	23.94	25.66	29.33

Source: Sugar Regulatory Administration

On August 30, 2005, President Gloria Macapagal Arroyo certified as urgent a bill mandating the use of bioethanol as an alternative transport fuel. The bill is now up for approval in its second reading in the House of Representatives. Under the bill, the Department of Energy (DOE) is directed to adopt a national bioethanol fuel program that will essentially blend bioethanol with gasoline. The minimum blend will be 5 percent within the first two years of the measure's effectivity and shall be increased to 10 percent by the end of the fourth year. The bill also provides fiscal incentives to encourage investors to engage in bioethanol fuel production.

In August 2005, President Gloria Macapagal Arroyo also issued Executive Order No. 449, which reduced the tariff on bioethanol fuel to 1 percent from 10 percent, when imported with certification by DOE. Ethanol is currently being shipped to the Philippines from Brazil. The country has imported a total of 2.5 million liters for the introductory run of ethanol-blended gasoline and is looking at importing an additional 10 million liters before year-end.

According to media reports, a liter of ethanol-blended gasoline is cheaper by P0.65 compared to gasoline with a 95 research octane number (RON) and P0.71 cheaper compared to gasoline with a 97-RON.